UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

JULIAN DESTEPHANO, Derivatively On Behalf of UNILIFE CORPORATION, Plaintiff, v. MARY KATE WOLD, JOHN RYAN, MICHAEL E. KAMARCK, JEFF CARTER, ROSEMARY A. CRANE, DUANE DESISTO, HARRY A. HAMILL, JOHN LUND, ALAN SHORTALL, JIM BOSNJAK, and DENNIS P. PYERS, Defendants, -and- UNILIFE CORPORATION, Nominal Defendant.	Case No. **<u>JURY TRIAL DEMANDED</u>**

<u>VERIFIED SHAREHOLDER DERIVATIVE COMPLAINT</u>

Plaintiff Julian DeStephano ("Plaintiff"), by and through his undersigned counsel, derivatively on behalf of Nominal Defendant UniLife Corporation ("UniLife" or the "Company"), submits this Verified Shareholder Derivative Complaint (the "Complaint"). Plaintiff's allegations are based upon his personal knowledge as to himself and his own acts, and upon information and belief, developed from the investigation and analysis by Plaintiff's counsel, including a review of publicly available information, including filings by UniLife with the U.S. Securities and Exchange Commission ("SEC"), press releases,

news reports, analyst reports, investor conference transcripts, publicly available filings in lawsuits, and matters of public record.

NATURE OF THE ACTION

1. This is a shareholder derivative action brought in the right, and for the benefit, of UniLife against certain of its officers and directors seeking to remedy Defendants' breach of fiduciary duties, gross mismanagement and unjust enrichment that occurred between February 9, 2015 and the present (the "Relevant Period") and have caused substantial harm to UniLife.

2. In mid-year 2016, Alan Shortall ("Shortall") (the Company's founder, former Chief Executive Officer ("CEO") and Chairman of the Board of Directors (the "Board")), and Jim Bosnjak ("Bosnjak") (the Company's former Chairman of the Board) were misappropriating Company funds and using the Company to pay Shortall's personal expenses, pay Bosnjak's interest on a loan, finance Shortall's purchase of a new home, and disburse funds to Shortall and his designees.

3. There were also undisclosed kickbacks from Bosnjak to Shortall in 2011, and from 2010 until August 2015, Shortall expected to be paid additional kickbacks or be loaned substantial sums of money by Bosnjak. In addition, the Company wrongfully advanced withholding tax payments in connection with the vesting of restricted shares of Company common stock on behalf of three executive officers. As a result, material weaknesses existed in the Company's internal controls over financial reporting and disclosure controls and procedures during the Relevant Period.

4. After Defendants caused the Company to disclose the misconduct stated above, the Company then announced shortly thereafter in September and November 2016 that its assets were severely impaired. That is, the Company incurred a property, plant and equipment impairment charge in the amount of $26.6 million with respect to certain of its long lived-assets concerning its non-wearable injector products. This impairment charge related to machinery and equipment and construction in process in the third quarter of fiscal 2016. However, the impairment charge should have been taken long before this time – when Shortall and Bosnjak were running the Company and engaging in the wrongful conduct discussed above.

JURISDICTION AND VENUE

5. The Court has jurisdiction over all claims under 28 U.S.C. § 1332 because there is complete diversity among the parties and the amount in controversy exceeds the sum of $75,000, exclusive of interest and costs. This action is not a collusive action designed to confer jurisdiction on a court of the United States that it would not otherwise have.

6. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District. In addition, the Company's shares are traded within this Judicial District.

PARTIES

Plaintiff

7. Plaintiff is, and was at relevant times, a shareholder of UniLife. Plaintiff retains those shares as of the date of the Complaint's filing. Plaintiff will fairly and adequately represent the interests of the shareholders in enforcing the rights of the corporation. Plaintiff is a citizen of Maryland.

Nominal Defendant

8. ***Nominal Defendant UniLife*** is a designer, manufacturer, and supplier of injectable drug delivery systems that enhance and differentiate the injectable products of the Company's pharmaceutical and biotechnology customers. Defendant Unilife is a Delaware corporation with its executive offices, research and development, and manufacturing facilities located at 250 Cross Farm Lane, York, Pennsylvania 17406. UniLife is a citizen of Pennsylvania.

Director Defendants

9. ***Defendant Mary Katherine Wold*** ("Wold") has served as a director since May 2010. She also served as the lead director from August 2015 to March 2016, and has served as the Company's Chair since March 2016. From August 2015 until her appointment as Chair, Wold served as the Company's Vice Chair. Wold is a member of the Audit Committee and the Compensation Committee. Wold is a citizen of New York.

10. ***Defendant John C. Ryan*** ("Ryan") has served as the Company's President and CEO and as a director since July 2016. Ryan served as the Company's Interim President and CEO from March 2016 until July 2016, and as the Company's Senior Vice

President, General Counsel and Secretary from May 2014 until July 2016. According to the Company's most recent Proxy, Ryan is not an independent director. *See* DEF14A filed October 28, 2016 at 9. Ryan is a citizen of Pennsylvania.

11. ***Defendant Jeff Carter*** ("Carter") has served as a Company director since April 2006. The Company has an agreement with a consulting entity, of which Defendant Carter is the principal. Under the terms of the agreement, Defendant Carter performs certain administrative and consulting services in Australia, including serving as the Company's ASX liaison. The Company pays Carter on a month-to-month basis for these consulting services. Under the agreement, through June 2016, the Company paid the consulting entity a base fee for the consulting services of A$12,000 (US$9,240) per month. During fiscal 2016, the Company paid the consulting entity A$180,715 (US$131,598), of which A$61,575 (US$44,873) was paid to one of the Company's former employees to assist Defendant Carter in performing these functions. Effective July 1, 2016, the Company paid the consulting entity a reduced base fee of A$7,000 per month for the consulting services of only Defendant Carter. According to the Company's most recent Proxy, Carter is not an independent director. *See* DEF14A filed October 28, 2016 at 9. Carter is a citizen of Australia.

12. ***Defendant Rosemary A. Crane*** ("Crane") has served as a Company director since October 28, 2016. Crane is a citizen of Pennsylvania.

13. ***Defendant Duane DeSisto*** ("DeSisto") has served as a Company director since October 28, 2016. DeSisto is a citizen of Rhode Island.

14. ***Defendant Harry A. Hamill*** ("Hamill") has served as a Company director since August 2015. Hamill is a member of the Audit Committee and the Compensation Committee. Hamill is a citizen of Pennsylvania.

15. ***Defendant Michael E. Kamarck*** ("Kamarck") has served as a Company director since July 2016. Kamarck is a citizen of Pennsylvania.

16. ***Defendant John Lund*** ("Lund") has served as a Company director since November 2009. Lund is the Chairman of the Audit Committee and Compensation Committee. Lund is a citizen of North Carolina.

17. Defendants Wold, Ryan, Carter, Crane, Desisto, Hamill, Kamarck and Lund are herein referred to as the "Director Defendants".

<u>Past Directors and Officers</u>

18. ***Defendant Alan Shortall*** ("Shortall") founded the Company in July 2002. He was CEO of the Company from September 2002, and Chairman of the Board from November 21, 2013 through March 11, 2016, when his employment as CEO suddenly ceased and he resigned as Chairman. He remained a consultant to the Company until July 28, 2016, when the Company terminated his consulting contract. Shortall is a citizen of Pennsylvania.

19. ***Defendant Jim Bosnjak*** ("Bosnjak") was a member of the Board since February 2003 and Chairman of the Board from April 2006 until November 21, 2013. He remained a director until August 24, 2015 when he retired purportedly for health reasons, but remained a strategic advisor. Bosnjak is a citizen of Australia.

20. ***Defendant Dennis P. Pyers*** ("Pyers") was the Company's Senior Vice President, Controller, Treasurer and Chief Accounting Officer from February 2015 through July 2016. From March 12, 2014 to February 22, 2015, he served as Vice President, Controller, and Interim Chief Financial Officer and, from 2010 to February 2015, he served as Chief Accounting Officer, Vice President and Controller. On July 28, 2016, the Company reported that he was demoted to Senior Advisor, Special Projects. Defendant Pyers is a citizen of Pennsylvania.

THE CHARTER OF THE AUDIT COMMITTEE

21. The Charter of the Audit Committee (the "Charter") specifies the scope of the responsibilities of the Audit Committee (the "Committee") and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

22. Pursuant to the Charter, the Audit Committee shall:

B. Review of Financial Reporting, Policies and Processes

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements.

3. Review and discuss with management and the independent auditor the Company's disclosure

under "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in the Company's periodic reports.

4. ***Review and discuss with management all press releases regarding the Company's financial results and any other information provided to securities analysts and rating agencies, including any non-GAAP financial information***.

5. Periodically meet separately with management, with internal auditors and with the independent auditor.

6. ***Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments***.

7. ***Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting*** ("Internal Controls"), review annually with the independent auditor the attestation to and report on the assessment made by management, and consider with management, the internal auditors and the independent auditor whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation.

8. Develop, in coordination with the Nominating and Corporate Governance Committee, and implement an annual performance evaluation of the Committee. Report to the Board the results of the assessment of the performance and objectivity of the internal audit function and any recommendations for the appointment or, if

necessary, the dismissal of the head of internal audit.

9. To the extent that it deems appropriate, review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in the Company's periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the SEC for the filing of such reports ("Disclosure Controls"), and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls.

10. Review and discuss with management and the independent auditor any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.

11. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.

12. Review any special audit steps adopted in light of material control deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

1. ***Review with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls***.

2. ***Review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties***.

3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

4. In consultation with the Nominating and Corporate Governance Committee, adopt a Code of Conduct and Ethics for all employees and directors, which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for and review promptly disclosure to the public of any change in, or waiver of, such Code of Conduct and Ethics.

5. As requested by the Board, review and investigate conduct alleged by the Board to be in

violation of the Company's Code of Business Conduct and Ethics, and adopt as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.

6. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

7. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

8. Review with the Company's Compliance Officer and report to the Board on litigation, material government investigations and compliance with applicable legal requirements and the Company's Code of Conduct and Ethics.

9. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

10. Review and reassess the Charter's adequacy at least annually. [Emphasis added].

BACKGROUND

23. Defendant Shortall founded Unilife (formerly Unitract) in 2002.

24. Defendant Bosnjak, a property developer in Sydney Australia, joined the Company and in 2006 became the Company's Chairman of the Board.

25. After attempts to develop production and manufacturing capabilities in Australia and China failed, Shortall and Bosnjak relocated the Company to Pennsylvania. On February 16, 2010, the Company's common stock was listed on the NASDAQ under the symbol "UNIS".

26. The Company's 2015 Form 10-K states in relevant part that "[a] significant portion of [the Company's] business is generated by a small number of major customers," who are usually major pharmaceutical companies that are developing a drug product that will need corresponding injectable drug delivery systems, *i.e.*, drug device combination.

27. By June 30, 2015, the Company had not generated a profit. Revenue was derived almost exclusively from third-party investors and long term development contracts who provided certain up front and milestone fees with the Company's big pharma clients, *i.e.*, Amgen, Sanofi, Hirtice Avbbie Vie.

28. The Company's 2015 Form 10-K states in relevant part that "[a]t the present time, . . . none of [the Company's] customers has received or applied for regulatory clearance or approval from the FDA or a foreign regulatory authority for the commercial sale of a drug-device combination product that incorporates our products. As such, although we commenced sales of the Unifill syringe in . . . fiscal year 2015 . . . we do not expect such products will be marketed by customers for commercial use with target drugs during fiscal year 2016. . . . Therefore, our revenue has been historically and is currently predominantly tied to the achievement of milestones and other events that occur from time to time. . . ."

29. The Company also has a reputation for paying excessive compensation, especially considering that the Company has yet to make a profit. Shortall, for example, made more than $27.9 million in total reported compensation from fiscal year 2010 through fiscal year 2015.

30. While the market knew that the Company had yet to earn a profit and that there were claims of excessive compensation, the market did not know, until the Company's disclosures in the spring and summer of 2016 that Shortall and Bosnjak were misappropriating Company funds to pay (a) Shortall's personal expenses, (b) Bosnjak's interest on a loan, (c) finance Shortall's purchase of a new home, and (d) to disburse funds to Shortall and his designees. The market did not know that there were also undisclosed kickbacks from Bosnjak to Shortall and that the Company wrongfully advanced withholding tax payments in connection with the vesting of restricted shares of Company stock on behalf of three executive officers.

31. Pursuant to the Company's Form 8-K dated July 28, 2016, Shortall deposited $2.3 million in the Company's bank account, and then instructed the Company to disburse nearly $1.4 million to third parties to complete his purchase of a new home in July 2015 with the remainder back to himself in July 2015. The money was not reflected in the Company's financial statements or reported related party disclosures.

32. In 2015, Shortall and Bosnjak also caused correspondence – which contained false statements about the Company's financial support for Shortall's purchase of a new home -- to be sent to Shortall's mortgage broker.

33. Shortall also took a total of $340,000 from the Company's account(s) during the last four fiscal years – five to thirty-six days before he paid the money back into the Company's account(s).

34. Shortall also deposited and withdrew another $253,000 from the Company's account(s), but deposited the money back into the Company prior to or within a day of it being disbursed back to him.

35. Shortall also expected Bosnjak to pay him kickbacks. For example, Bosnjak paid Shortall $170,000 in kickbacks in 2011, and Shortall expected to be paid additional kickbacks or be loaned "substantial amounts of money" by Bosnjak from 2010 through August 2015, presumably to maintain Bosnjak's lucrative position at the Company.

36. Between July 2014 and July 2015, Shortall also instructed the Company to release $62,000 in Company funds to pay off the interest on a third-party loan Bosnjak took out secured by Bosnjak's shares of Company stock.

37. From 2013 through 2016, Shortall also instructed the Company to reimburse him for $88,000 in personal expenses.

38. In December 2014, July 2015, and March 2016, the Company also advanced withholding taxes on behalf of three (3) executives in connection with the vesting of the Company's restricted shares to the tune of $240,000.

39. None of the transactions above was reported by Defendants in the Company's financial statements issued throughout the Relevant Period. As a result, the Company's financial statements were false and/or misleading and/or failed to disclose accurate information regarding Current Assets (including cash and cash equivalents,

restricted cash and accounts receivable); Operating Expenses (including selling, general and administrative expenses – *i.e.*, compensation); Current Liabilities; Net Cash Flow, and Related Party Transactions.

40. After these wrongdoings were revealed, Pyers was removed from his positions as the Company's Senior Vice President, Controller, Treasurer, and Chief Accounting Officer, and demoted to Senior Advisor, Special Projects. Pyers served in these positions from February 22, 2015 until July 2016. From March 12, 2014 to February 22, 2015, Pyers served as Vice President, Controller, and Interim Chief Financial Officer, and from 2010 to February 2015, he served as Chief Accounting Officer, Vice President and Controller.

41. In addition, management determined that there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures. The Company reported that it would need to amend, and did amend, a number of SEC filings, including its Form 10-K for the fiscal year ended June 30, 2015, and Forms 10-Q for the quarters ended September 30, 2015 and December 31, 2015.

42. As a result of these wrongdoings, the Company was unable to file its Quarterly Report on Form 10-Q for the period ended March 31, 2016 and its 2016 Annual Report on Form 10-K by the prescribed filing deadlines.

MATERIALLY FALSE AND MISLEADING STATEMENTS ISSUED DURING THE RELEVANT PERIOD

Fiscal Year 2015 Second Quarter

43. On February 9, 2015, Defendants caused the Company to issue a press release entitled *Unilife Corporation Announces Financial Results For Fiscal Year 2015 Second Quarter* that announced the Company's financial and operating results for the second quarter ("Q2 2015 8-K"). For the second quarter, "Unilife reported that it had $10.8 million in total cash and cash equivalents, including restricted cash, as of December 31, 2014."

44. On February 9, 2015, Defendants also caused the Company to file its Quarterly Report on Form 10-Q that reiterated the financial and operating results announced in the Q2 2015 Form 8-K and reported in full its financial and operating results for the fiscal quarter ended December 31, 2014 ("Q2 2015 10-Q"). Therein, the Company reported: (i) Current Assets of $16,176,000, including cash and cash equivalents of $8,448,000, restricted cash of $2,400,000 and accounts receivable of $4,149,000; (ii) Operating Expenses of $22,070,000, including selling, general and administrative of $9,508,000; (iii) Current Liabilities of $13,779,000; (iv) Net Cash flows from operating or financing activities of ($25,029,000) and $32,034,000, respectively; and (v) Property, plant and equipment, net of $58,594,000.

45. The Q2 2015 10-Q was signed by Pyers.

46. The Q2 2015 10-Q contained signed certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 ("SOX") by Shortall and Pyers.

47. The statements made in ¶¶ 42-43 were false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business and operations. Specifically, Defendants made false and/or misleading statements and/or failed

to disclose that: (a) Shortall and Bosnjak had misappropriated Company funds for their personal use; (b) there were certain related party transactions; (c) in December 2014, the Company wrongfully advanced withholding tax payments in connection with the vesting of restricted shares of Company common stock on behalf of three executive officers; (d) Shortall expected to be paid substantial additional kickbacks or be loaned substantial sums of money by Bosnjak; (e) there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures; and (f) certain property, plant and equipment assets were severely impaired.

Fiscal Year 2015 Third Quarter

48. On May 11, 2015, Defendants caused the Company to issue a press release entitled *Unilife Corporation Announces Financial Results For Fiscal Year 2015 Third Quarter* that announced the Company's financial and operating results for the third quarter ("Q3 2015 8-K"). For the Third Quarter, the Company reported that it "had $39.2 million in total cash and cash equivalents, including restricted cash, as of March 31, 2015."

49. On May 11, 2015, Defendants caused the Company to file its Quarterly Report on Form 10-Q, which reiterated the financial and operating results announced in the Q3 2015 8-K and reported in full the Company's financial and operating results for the fiscal quarter ended March 31, 2015 ("Q3 2015 10-Q"). Therein, the Company reported: (i) Current Assets of $46,194,000, including cash and cash equivalents of $37,116,000, restricted cash of $2,092,000 and accounts receivable of $5,881,000; (ii) Operating Expenses of $23,452,000, including selling, general and administrative of $9,055,000; (iii) Current Liabilities of $16,838,000; (iv) Net Cash flows from operating or financing

activities of ($36,246,000) and $76,523,000, respectively; and (v) Property, plant and equipment, net of $62,031,000.

50. The Q3 2015 Form 10-Q contained a signed certification pursuant to Section 302 of SOX by Shortall.

51. The statements made in ¶¶ 47-48 were false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business and operations. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (a) Shortall and Bosnjak had misappropriated Company funds for their personal use; (b) there were certain related party transactions; (c) Shortall expected to be paid substantial additional kickbacks or be loaned substantial sums of money by Bosnjak; (d) Shortall and Bosnjak made false statements to a mortgage broker about the Company's financial support for Shortall's purchase of and relocation to a new home; (e) there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures; and (f) certain property, plant and equipment assets were severely impaired.

Fiscal Year 2015 Fourth Quarter

52. On August 25, 2015, Defendants caused the Company to announce that Bosnjak, a member of the Company's Board and Chairman from 2006 to 2013, resigned. According to the press release, Bosnjak would continue to serve as a strategic adviser to the Board.

53. On September 14, 2015, Defendants caused the Company to issue a press release entitled *Unilife Corporation Announces Financial Results For the Fourth Quarter*

and Full Fiscal Year 2015 that announced the Company's financial and operating results for the fourth quarter and fiscal year 2015. For the fourth quarter, the Company reported that it had $14.7 million in total cash and cash equivalents, including restricted cash of $2.4 million as of June 30, 2015; and selling, general and administrative expenses for the fourth quarter and fiscal year 2015 of $7.0 million and $28.1 million, respectively.

54. On September 14, 2015, the Company filed its 2015 Annual Report on Form 10-K for the year ended June 30, 2015 ("2015 10-K"). Therein, the Company reported: (i) Current Assets of $17,040,000, including cash and cash equivalents of $12,303,000, restricted cash of $2,400,000 and accounts receivable of $1,530,000; (ii) Operating Expenses of $93,586,000, including selling, general and administrative expenses of $36,176,000; (iii) Current Liabilities of $14,833,000; (iv) Net Cash flows from operating or financing activities of ($55,201,000) and $75,750,000, respectively; and (v) Property, plant and equipment, net of $66,148,000.

55. The 2015 Form 10-K contained a signed certification pursuant to Section 302 of SOX by Shortall.

56. The 2015 Form 10-K contained "Management's Report on Internal Control Over Financial Reporting", pursuant to Section 404 of SOX, signed by Shortall regarding the effectiveness of the Company's internal control over financial reporting.

57. The Notes to Consolidated Financial Statements set forth in the 2015 Form 10-K disclosed only the following regarding related party transactions:

Related Party Transactions

> The Company has an agreement with a consulting firm, of which a member of the Company's board of directors is the principal. Under the terms of the agreement, the Company pays a fee for finance, accounting and secretarial consulting services within Australia. Amounts paid to the consulting entity during the years ending June 30, 2015, 2014 and 2013 were $0.2 million, $0.2 million and $0.2 million, respectively.

58. The 2015 Form 10-K incorporated by reference the Company's Definitive 2015 Proxy Statement (DEF 14A), filed October 2, 2015 ("2015 Proxy Statement"), which was used to solicit proxy votes for the Company's annual shareholder meeting.

59. The 2015 Proxy Statement reported only the following regarding Related Party Transactions:

> **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**
>
> During the last three fiscal years, we have been a party to one transaction in which the amount involved exceeded $120,000 and in which any director, executive officer, holder of more than 5% of our capital stock, or their immediate family members, had a material interest.
>
> We have an agreement with a consulting entity, of which Jeff Carter, a member of our board is the principal. Under the terms of the agreement, Mr. Carter performs certain administrative and consulting services in Australia, including serving as our ASX liaison. We pay Mr. Carter on a month to month basis for these consulting services. Under the agreement, we pay the consulting entity a commercial arm's length base fee for the consulting services of A$12,000 (US$8,520) per month. During fiscal 2015, we paid the consulting entity A$226,332 (US$189,991), of which A$79,583 (US$66,709) was paid to one of our former employees to assist Mr. Carter in performing these functions. The foregoing amounts exclude the 10 percent Australian goods and services tax to which Unilife may be entitled to a refund. As of September 15, 2015, one A$ equaled US$0.71.

> We review all relationships and transactions in which we and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our chief executive officer and chief financial officer are primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related party transactions. As outlined in our Audit Committee Charter, our audit committee reviews and approves or ratifies any related party transaction pursuant to the authority given under the charter of the audit committee.

60. The 2015 Proxy Statement reported the following regarding Shortall and Bosnjak's compensation: (i) Shortall's fiscal 2015 total compensation is $8,445,312 of which $65,312 is "All Other Compensation," "[i]nclud[ing] $43,041 related to the purchase and maintenance of an automobile. Also includes $17,621 related to travel expenses of family members accompanying Mr. Shortall on business trips and $4,650 of other expenses" and (ii) Bosnjak's fiscal 2015 total compensation is $230,231 of which $119,800 is "Fees Earned or Paid in Cash," "includ[ing] US$3,800 in fees earned in fiscal 2014 and paid in fiscal 2015 after reconciling for exchange rate impact."

61. The statements made in ¶¶ 52-60 were false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business and operations. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (a) Shortall and Bosnjak had misappropriated Company funds for their personal use; (b) Shortall and Bosnjak's total compensation was higher; (c) Shortall, on June 29, 2015, deposited millions of dollars into the Company's bank account which was not reflected in the Company's financial statements; (c) in December 2014, the Company wrongfully advanced withholding tax payments in connection with the vesting of restricted

shares of Company common stock on behalf of three executive officers; (d) in 2015, Shortall and Bosnjak made false statements to a mortgage broker about the Company's financial support for Shortall's purchase of and relocation to a new home; (e) there were certain related party transactions; (f) Shortall expected to be paid substantial additional kickbacks or be loaned substantial sums of money by Bosnjak; (g) there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures; and (h) certain property, plant and equipment assets were severely impaired.

Fiscal Year 2016 First Quarter

62. On November 9, 2015, Defendants caused the Company to issue a press release entitled *Unilife Corporation Announces Financial Results For the First Quarter of Fiscal Year 2016* that announced the Company's financial and operating results for the first quarter ("Q1 2016 8-K"). For the First Quarter, the Company reported that it: "had $7.9 million in total cash and cash equivalents, including restricted cash of $2.1 million, as of September 30, 2015."

63. On November 9, 2015, Defendants caused the Company to file its Quarterly Report on Form 10-Q that reiterated the financial and operating results announced in the Q1 2016 Form 8-K and reported in full its financial and operating results for the fiscal quarter ended September 30, 2015 ("Q1 2016 10-Q"). Therein, the Company reported: (i) Current Assets of $10,619,000, including cash and cash equivalents of $5,801,000, restricted cash of $2,092,000 and accounts receivable of $1,413,000; (ii) Operating Expenses of $26,775,000, including selling, general and administrative of $9,228,000; (iii)

Current Liabilities of $33,330,000; (iv) Net Cash flows from operating or financing activities of ($9,894,000) and $76,523,000, respectively; and (v) Property, plant and equipment, net, of $79,126,000.

64. The Q1 2016 Form 10-Q contained a signed certification pursuant to Section 302 of SOX by Shortall.

65. The statements made in ¶¶ 62-63 were false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business and operations. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (a) Shortall and Bosnjak had misappropriated Company funds for their personal use; (b) on June 29, 2015, Shortall deposited millions of dollars into the Company's bank account which was not reflected in the Company's financial statements, and was disbursed to third parties on July 23, 2015 and to himself on July 28, 2015; (c) in July 2015, the Company wrongfully advanced withholding tax payments in connection with the vesting of restricted shares of Company common stock on behalf of three executive officers; (d) in 2015, Shortall and Bosnjak made false statements to a mortgage broker about the Company's financial support for Shortall's purchase of and relocation to a new home; (e) there were certain related party transactions; (f) Shortall expected to be paid substantial additional kickbacks or be loaned substantial sums of money by Bosnjak; (g) there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures; and (h) certain property, plant and equipment assets were severely impaired.

<u>Fiscal Year 2016 Second Quarter</u>

66. On February 9, 2016, Defendants caused the Company to issue a press release entitled *Unilife Corporation Announces Financial Results For the Second Quarter of Fiscal Year 2016* that announced the Company's financial and operating results for the second quarter ("Q2 2016 8-K"). For the Second Quarter, the Company reported: "Selling, general, and administrative (SG&A) expenses for the second quarter of fiscal 2016 was $8.8 million, compared to $9.5 million in the same period last year" and "Unilife had $20.4 million in total cash and cash equivalents, including restricted cash of $2.4 million, as of December 31, 2015."

67. On February 10, 2016, Defendants caused the Company to file its Quarterly Report on Form 10-Q that reiterated the financial and operating results announced in the Q2 2016 Form 8-K and reported in full its financial and operating results for the fiscal quarter ended December 31, 2015 ("Q2 2016 10-Q"). Therein, the Company reported: (i) Current Assets of $25,931,000, including cash and cash equivalents of $17,971,000, restrictive cash $2,400,000 and accounts receivable of $2,957,000; (ii) Operating Expenses of $20,792,000, including selling, general and administrative of $8,774,000; (iii) Current Liabilities of $39,271,000; (iv) Net Cash flows from operating or financing activities of ($13,719,000) and $26,138,000, respectively; and (v) Property, plant and equipment, net of $81,761,000.

68. The Q2 2016 Form 10-Q contained a signed certification pursuant to Section 302 of SOX by Shortall.

69. On March 14, 2016, the Company announced that Shortall was leaving the Company. The Company also announced that Shortall would remain available as a consultant to the Board.

70. The statements made in ¶¶ 66-67 were false and/or misleading statements and/or failed to disclose material adverse facts about the Company's business and operations. Specifically, Defendants made false and/or misleading statements and/or failed to disclose that: (a) Shortall had misappropriated Company funds for his personal use; (b) in 2015, Shortall and Bosnjak made false statements to a mortgage broker about the Company's financial support for Shortall's purchase of and relocation to a new home; (c) there were certain related party transactions; (d) there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures; and (e) certain property, plant and equipment assets were severely impaired.

THE TRUTH IS REVEALED

71. On May 8, 2016, the Company disclosed that it expected to delay filing its quarterly Form 10-Q for the period ended March 31, 2016 and also cancelled its earnings conference call, scheduled for May 9, 2016, due to the discovery of violations of Company policies and procedures and possible violations of law and regulation by the Company's "former Chief Executive Officer" and the "former Chairman of the Company's Board of Directors who resigned in 2015." The Company also announced that it was investigating these matters and their potential impact on financial reporting and internal controls over financial reporting, related to the Company's previously-issued financial statements, current interim financial information, and management's certifications.

72. On this news, the Company's stock price fell $1.502 per share, or more than 29%, to close at $3.60 per share on May 9, 2016.

73. On May 11, 2016, the Company filed a Notification of Late Filing on Form 12b-25. The Company disclosed that the Company's current management team discovered violations of the registrant's policies and procedures and possible violations of law and regulation by Shortall and Bosnjak. The Company also announced that it was investigating the violations' potential impact on financial reporting and internal controls over financial reporting, related to previously-issued financial statements, current interim financial information, and management's certifications. Further, the Company disclosed that the Company was unable to file its Quarterly Report on Form 10-Q for the period ended March 31, 2016 by the prescribed filing deadline.

74. On this news, the Company's stock price fell $0.30 per share, or 8.1%, to close at $3.40 per share on May 12, 2016. The Company's stock price continued to decline, falling another $0.28 per share, or 9.1%, to close at $3.12 per share on May 13, 2016.

75. On May 23, 2016, the Company disclosed that it received a letter from The NADSAQ Stock Market LLC notifying the Company that it was not in compliance with NASDAQ Listing Rule 5250(c)(1) because it had not filed its Form 10-Q for the period ended March 31, 2016 in a timely manner with the SEC. The Company also disclosed that it was continuing to investigate the matters in connection with the delay and their potential impact on financial reporting and internal controls over financial reporting, related to previously-issued financial statements, current interim financial information, and management's certifications.

76. On this news, the Company's stock price fell $0.31 per share, or more than 10%, to close at $2.64 per share on May 24, 2016.

77. On July 28, 2016, the Company filed a Form 8-K and issued a press release in which it made a number of disclosures including the results of its substantially completed internal investigation. The Company disclosed that its Board established a Special Committee to oversee the investigation and that the Company had determined the following:

> (1) Personal Mortgage Correspondence
>
> In 2015, Mr. Shortall and Mr. Bosnjak, without authorization from or knowledge of the Company or its Board, caused to be transmitted to a mortgage broker for Mr. Shortall correspondence that contained inaccurate statements about the Company's financial support for Mr. Shortall's purchase of and relocation to a new home.
>
> * * *
>
> 2) Shortall Fund Transfers
>
> Mr. Shortall deposited $2,264,475 of his own funds into the Company's bank account on June 29, 2015 and then, caused the Company to disburse from those funds $1,351,553 to third-parties to complete Mr. Shortall's purchase of his new home on July 23, 2015, and the remainder back to himself on July 28, 2015. The receipt of $2,264,475 was not reflected in the Company's relevant financial statements or related party disclosures.
>
> In addition, during the last four completed fiscal years, under Mr. Shortall's direction, the Company accepted checks and in certain instances wires, from Mr. Shortall in the aggregate amount of approximately $340,000 and disbursed the same amount of funds to Mr. Shortall or his designees but did not deposit such checks, or receive such wires from Mr. Shortall until five days to thirty-six days after the Company's

disbursement of the funds. The Company believes such transactions constitute loans from the Company to Mr. Shortall. In addition, Mr. Shortall wired funds and provided personal checks to the Company in the aggregate amount of approximately $253,000, not including the $2,264,475 discussed above, which wires and checks the Company received and deposited, as applicable, prior to or within a day of the Company disbursing the same amounts to Mr. Shortall. None of the transfers noted in this paragraph were reflected in the Company's related party disclosures.

* * *

3) Bosnjak Payments to Mr. Shortall

Mr. Shortall and Mr. Bosnjak failed to disclose to the Company $170,000 in personal payments during 2011 from Mr. Bosnjak to Mr. Shortall which payments did not involve Company funds, and also failed to disclose that, during the period from 2010 to Mr. Bosnjak's resignation, Mr. Shortall, for reasons that the Company has been unable to determine, expected to be paid or loaned substantial amounts of money by Mr. Bosnjak.

* * *

4) Bosnjak Loan Payments and Unrepaid Personal Expenses

Between July 2014 and July 2015, Mr. Shortall caused approximately $62,000 in Company funds to be transmitted to a third-party, which fund transmittals the Company believes were made for the purpose of satisfying certain of Mr. Bosnjak's commitments to pay interest to such third-party on a loan secured by some of Mr. Bosnjak's shares of Company stock. The Company believes such fund transmittals constitute loans from the Company to Mr. Bosnjak, and the Company is evaluating potential actions to recover these funds.

From fiscal 2013 through fiscal 2016, Mr. Shortall caused the Company to pay for personal expenses, approximately $88,000 of which the Company was not repaid. The Company believes such unrepaid personal expenses constitute loans from the

> Company to Mr. Shortall, and the Company has demanded repayment of such personal expenses.

78. The Company's July 28, 2016 Form 8-K also disclosed:

> Advanced Withholding Payments
>
> In March 2016, July 2015 and December 2014 in connection with the vesting of restricted shares of Company common stock, the Company paid associated withholding taxes on behalf of three executive officers, its Vice President of Quality and Regulatory Affairs and Chief Compliance Officer [Mark Iampietro], its Senior Vice President and Chief Commercial Officer and its former President and Chief Operating Officer [Ramin Mojdeh], in an aggregate amount of approximately $240,000 prior to being reimbursed by such executive officers. With the exception of one $400 underpayment which the Company is in the process of collecting, such executive officers repaid the Company in full within a range of 18 to 120 days from the date of the withholding payment. The Company believes such advances constituted loans. The December 2014 delayed repayment was appropriately reflected as a receivable in the Company's financial statements as of December 31, 2014 but was not reflected in the Company's related party disclosures. The July 2015 delayed repayments were paid prior to September 30, 2015, however, they were not reflected as related party disclosures. The March 2016 delayed repayments will be appropriately reflected as a receivable in the Company's financial statements as of March 31, 2016 and June 30, 2016 and will also be disclosed as related party transactions.

79. As a result of the aforementioned wrongful and illegal conduct, the Company disclosed in a July 28, 2016 press release and two Form 8-Ks filings on July 28, 2016 that: (1) it terminated its consulting agreement with Shortall and that it "no longer has any business relationship with Mr. Shortall or Mr. Bosnjak"; (2) "[A]s a result of findings from the investigation," the Company demoted Pyers from Senior Vice President, Controller, Treasurer, and Chief Accounting Officer to Senior Advisor, Special Projects; and (3) "the

Company's employment of Mark Iampietro as the Company's Vice President of Quality and Regulatory Affairs and Chief Compliance Officer was ended by the Company.…"

80. Although as of July 28, 2016, "[t]he investigation is [only] substantially complete," "[t]he Company is continuing to evaluate the potential impact of the matters described above, including on financial reporting and internal controls over financial reporting, related to previously-issued financial statements, current interim financial information and management's certifications. Moreover, management has determined that there are material internal control weaknesses. Management continues to evaluate the nature and extent of these material internal control weaknesses and, in the meantime, has commenced a remediation process with the assistance of a third party internal audit provider." The Company also stated that it expected to amend the following:

- The Form 10-K for the fiscal year ended June 30, 2015 to:
  - amend the fiscal 2015 consolidated financial statements to correct the immaterial errors identified as a result of the investigation, specifically to record the related party restricted cash balance of $2,264,474 and same amount as due to a related party on the balance sheet and operating section of the Company's statement of cash flows and to expand the related party disclosures related to the matters discussed above.
  - amend management's assessment of internal controls in Item 9A to state that internal controls over financial reporting were not effective as of June 30, 2015, disclose the material weaknesses in internal controls over financial reporting, and discuss the Company's remediation plan.

- The Forms 10-Q for the quarters ended September 30, 2015 and December 31, 2015 to:
    - o amend the statements of cash flows to reflect the repayment of the amount due to a related party and the corresponding reduction of restricted cash in the operating section of the statement of cash flows and to expand the related party disclosures related to the matters discussed above.
    - o disclose the material weaknesses in internal controls over financial reporting and discuss the Company's remediation plan.

81. The Company's July 28, 2016 Form 8-K also acknowledged that:

> [t]he matters disclosed herein could subject the Company (or persons it is required to indemnify) to possible criminal, civil or administrative sanctions, penalties, or investigations, in addition to potential private securities and other litigation. In this regard, regulatory authorities may consider that the loans described above . . . constitute prohibited Company loans to executive officers and directors in violation of Section 402 of the Sarbanes-Oxley Act of 2002, which prohibits personal loans to a director or executive officer of a public company. In addition, Nasdaq may consider that certain of the matters disclosed herein constitute violations of the Nasdaq director independence rules, which could negatively impact the Company's ability to regain compliance with the Nasdaq listing requirements and our ability to remain listed on the Nasdaq Global Market.

82. Finally, the Company disclosed that "[t]he Company . . . continues to cooperate fully with the SEC with respect to the SEC's ongoing investigation."

83. On this news, the Company's stock price fell $.60 per share, or more than 14%, to close at $3.54 per share on July 29, 2016, on unusually heavy trading volume.

84. Over the next two trading days, August 1 and 2, 2016, the Company's stock continued to decline, falling $.43 per share, or more than 12%, to close at $3.11 per share on August 2, 2016.

85. On September 1, 2016, the Company filed a Form 8-K with the SEC that contained the Company's Preliminary Final [Financial] Report ("Appendix 4E") for the year ended June 30, 2016 that the Company was required to file (and did file) on August 31, 2016 with the Australian Securities Exchange ("ASX"). As warned, these "preliminary, unaudited" financials "are expected to vary in material respects from the" "audited financial information ultimately [to be] filed with the SEC and ASX in the 2016 Annual Report." "Accordingly, investors [were] urged not to place undue reliance on the Unaudited Financial Information in making an investment decision about the Company's securities or otherwise."

86. The Company disclosed the following in the introductory "Explanatory Note":

> The Company announced on May 9, 2016 an investigation into violations of the Company's policies and procedures and possible violations of law and regulation by the Company's former Chief Executive Officer, Alan Shortall, whose employment with the Company ceased on March 11, 2016, and its former Chairman, Jim Bosnjak, who resigned from the Company's Board of Directors on August 24, 2015 (the "Investigation"). On July 28, 2016, the Company announced in its Current Report on Form 8-K (the "July 28 8-K") that the Investigation was substantially complete and summarized the results of the Investigation as of such date including, without limitation, that the Investigation had not identified any material financial loss to the Company. The Investigation is ongoing and has not identified any additional financial loss to the

> Company other than [what] was already identified in the July 28 8-K.
>
> As previously disclosed by the Company, the Investigation identified certain related party and other transactions which the Company had not publicly disclosed or recorded in its relevant financial statements originally filed with the SEC and ASX. These related party transactions are not reflected in the Unaudited Financial Information but will be reflected in the audited financial information ultimately filed with the SEC in the 2016 Annual Report. Further, the Company is continuing to evaluate the potential impact of the findings of the Investigation, including on the Company's financial reporting, internal controls over financial reporting, disclosure controls and procedures, previously-issued financial statements, current interim financial information and management's certifications.
>
> As a result of the Investigation, management has also determined that there were material weaknesses in the Company's internal controls over financial reporting and disclosure controls and procedures (collectively, the "Material Weaknesses"). Management continues to evaluate the nature, extent and impact of the Material Weaknesses and, in the meantime, has commenced a remediation process with the assistance of a third party internal audit provider.
>
> As previously announced in a strategic update set forth in the Company's press release filed with the SEC on July 28, 2016 and with ASX on July 29, 2016, the Company is now primarily focused on the wearable injector business. As part of the change of primary focus, the Company is now evaluating goodwill and other long-lived assets for impairment. This evaluation is likely to result in a material charge which is not reflected in Unaudited Financial Information, but would be reflected in the audited financial information ultimately filed with the SEC and ASX in the 2016 Annual Report. Any such charge would be expected to be substantially non-cash in nature.

87. The "Explanatory Note" also contained the following admonitions regarding the need for "Additional Filings":

As a result of the foregoing, the Company expects to amend the following:

- The Form 10-K for the fiscal year ended June 30, 2015 to:
  - amend the fiscal 2015 consolidated financial statements to correct the immaterial errors identified as a result of the Investigation, specifically to record the related party restricted cash balance of $2.3 million and same amount as due to a related party on the balance sheet and operating section of the Company's statement of cash flows and to expand the related party disclosures related to the matters identified as a result of the Investigation; and
  - amend management's assessment of internal controls in Item 9A to state that internal controls over financial reporting were not effective as of June 30, 2015, disclose the material weaknesses in internal controls over financial reporting, and discuss the Company's remediation plan.
- The Forms 10-Q for the fiscal quarters ended September 30, 2015 and December 31, 2015 to:
  - amend the statements of cash flows to reflect the repayment of the amount due to a related party and the corresponding reduction of restricted cash in the operating section of the statement of cash flows and to expand the related party disclosures related to the matters identified as a result of the Investigation.
  - disclose the material weaknesses in internal controls over financial reporting and discuss the Company's remediation plan.

In connection with the filing of such amendments, the Company will also file its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2016, the filing of which has been delayed as a result of the Investigation. The Company

> will also update its disclosures in connection with findings of the Investigation in all of the above referenced filings with the SEC and the ASX.

88. On September 8, 2016, the Company filed a Form 8-K with the SEC announcing that the Company's Board concluded that the Company would have a material charge for impairment to certain of its long lived-assets. The Company reported that it announced in a strategic updated filed with the SEC on July 28, 2016 that it would focus primarily on active and new customer programs in its portfolio of wearable injector systems. As a result, on September 1, 2016, the Company's Board concluded that it would have a material charge for impairment to certain of its long lived-assets. The Company also reported that it could not estimate the aggregate amount of the impairment charge and was uncertain whether the charge should be recorded in either the third or fourth quarter of the fiscal year ended June 30, 2016.

89. On September 29, 2016, the Company filed with the SEC a Form 8-K/A that amended its Original Form 8-K filed on September 8, 2016 which "disclosed, among other things, that in connection with the Company's evaluation of the prospects of its non-wearable injector customer and supplier programs and the potential disposition of certain assets, the Company will have a material charge for impairment to certain of its long lived-assets.…" The Company reported that its preliminary estimate is a non-cash charge totaling approximately $26 million for the impairment of equipment and equipment in process of construction in the third quarter ended March 31, 2016.

90. On September 29, 2016, the Company filed a Form 8-K and announced "that the Company will not be able to file its audited financial statements by September 30, 2016.

As a result, pursuant to rules of the Australian Securities Exchange ("ASX"), trading . . . on the ASX will be suspended . . . ." "The Company expects to file both its Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 ("Form 10-Q") and its Annual Report on Form 10-K ("Form 10-K") for the year ended June 30, 2016 in advance of expiration of NASDAQ's November 7, 2016 deadline to regain compliance with NASDAQ Listing Rule 5250(c)(1)."

91. The Company was required to file both its Form 10-Q for 2016 Q3 and its Form 10-K 2016 Annual Report by November 7, 2016 or be delisted from NASDAQ trading.

92. On October 24, 2016, the Company reported that it concluded its internal investigation and concurrently filed the following documents: (i) Amended 2015 Annual Report on Form 10-K/A for the year ended June 30, 2015 ("2015 10-K Amendment"), (ii) Amended Quarterly Report on Form 10-Q/A for the period ending September 30, 2015 (Q-1) ("September 2015 10-Q Amendment"), (iii) Amended Quarterly Report on Form 10-Q/A for the period ending December 30, 2015 (Q-2) ("December 2015 10-Q Amendment"); (iv) Quarterly Report on Form 10-Q for the period ending March 31, 2016 (Q-3); and (v) 2016 Annual Report on Form 10-K for the year ended June 30, 2016 ("2016 10-K").

93. The Company's 2016 Form 10-K reported that, with respect to the Company's internal control over financial reporting as of June 30, 2016, the Company, under the oversight of the Board and the leadership of Shortall, did not have an effective control environment, risk assessment process, information and communication process and

monitoring activities. As a result, the Company could not rely on certain personnel, processes and internal controls, and consequently, various material weaknesses existed at June 30, 2016. Because of such material weaknesses, the Company's internal control over financial reporting was ineffective as of June 30, 2016, and there were material weaknesses in the Company's disclosure controls and procedures. The findings included the following:

> In 2015, Shortall and Bosnjak, without authorization from or knowledge of the Company or its Board, caused to be transmitted to a mortgage broker for Shortall correspondence from Bosnjak that contained inaccurate statements about the Company's financial support for Shortall's purchase of and relocation to a new home.
>
> Shortall deposited $2,264,475 of his own funds into the Company's bank account on June 29, 2015 and then caused the Company to disburse from those funds $1,351,553 to third parties to complete his purchase of his new home on July 23, 2015, and the remainder back to himself on July 28, 2015.
>
> During fiscal years 2013 through 2016, under Shortall's direction, the Company accepted checks and wires from Shortall in the aggregate amount of approximately $340,000 and disbursed the same amount of funds to Shortall or his designees but did not deposit such checks or receive such wires from Shortall until five days to thirty-six days after the Company's disbursement of the funds. Additionally, Shortall wired funds and provided personal checks to the Company in the aggregate amount of approximately $253,000, which wires and checks the Company received and deposited, prior to or within a day of the Company disbursing the same amounts to Shortall.
>
> Shortall and Bosnjak failed to disclose to the Company $170,000 in personal payments during 2011 from Bosnjak to Shortall, and also failed to disclose that, during the period from 2010 to August 2015, Shortall expected to be paid or loaned substantial amounts of money by Bosnjak.

Between July 2014 and July 2015, Shortall caused the Company to pay approximately $62,000 in Company funds to a third party for the purpose of satisfying certain of Bosnjak's commitments to pay interest to such third party on a loan secured by some of Bosnjak's shares of Company stock.

From fiscal 2013 through fiscal 2016, Shortall caused the Company to pay for personal expenses, approximately $88,000 of which was not repaid to the Company.

In March 2016, July 2015 and December 2014, in connection with the vesting of restricted shares of the Company's common stock, the Company paid associated withholding taxes on behalf of three executive officers, its Vice President of Quality and Regulatory Affairs and Chief Compliance Officer, its Senior Vice President and Chief Commercial Officer, and its former President and COO, in an aggregate amount of approximately $240,000.

The Company investigated certain issues related to the November 2009 issuance of shares by Unilife Medical Solutions Limited ("UMSL") to one of the Company's founding shareholders, Roger Williamson, and whether Shortall may have been a beneficial owner of the UMSL shares or the CHESS Depositary Interests ("CDIs") issued by the Company (the "Founder CDIs") in exchange for the UMSL shares in connection with UMSL's redomiciliation from Australia to Delaware in January 2010. The Company determined that the UMSL Share Issuance was a valid corporate action. While the Company believes that Shortall had business relationships unrelated to the Company with Mr. Williamson, the Company did not find sufficient evidence to conclude that Shortall was the beneficial owner of the Founder CDIs. The Company discovered that Mr. Williamson was the beneficial owner of 21,782,241 CDIs, representing approximately 6.75% of the Company's common stock, but did not have access to sufficient information to determine whether Mr. Williamson was the beneficial owner of additional Company securities. The Company failed to disclose Mr. Williamson's beneficial ownership of Company securities.

94. Management also concluded that because the information set forth above was not disclosed in prior financial statements and related party disclosures filed with the SEC, it determined that the material weaknesses existed as of June 30, 2015, as of the end of each of the first three quarters of fiscal 2016, and as of June 30, 2016.

95. As a result, the Company filed the 2015 Form 10-K Amendment, the September 2015 10-Q Amendment and the December 2015 10-Q Amendment to correct the errors in the previously reported financial statements and to disclose the material weaknesses. In addition, the material weaknesses that existed as of March 31, 2016 and June 30, 2016 and the related party transactions were disclosed where the Company deemed appropriate in the March 2016 Form 10-Q and the 2016 Form 10-K.

96. KPMG's report regarding the Company's internal control over financial reporting and financial statements included in the Company's 2016 Form 10-K and 2015 Form 10-K Amendment conclude that the Company did not maintain effective internal control over financial reporting as of June 30, 2016, and as of June 30, 2015, respectively, because of the following material weaknesses:

> Ineffective tone at the top and design and operation of controls to monitor, investigate and communicate non-compliance with the Company's Code of Conduct;
>
> Insufficient number of trained resources with responsibility and accountability for financial reporting processes and controls;
>
> Ineffective continuous risk assessment process;
>
> Ineffective information and communication processes and monitoring activities regarding related party transactions;

> Ineffective operation of certain process level controls due to management override of controls, including related party transactions and loans and advances to executives and a former Board member;
>
> Ineffective design and implementation and documentation of management review controls; and
>
> Ineffective program change and access general information technology controls resulting in ineffective process level automated controls, and ineffective compensating manual controls.

97. The amendments reflected in the 2015 Form 10-K Amendment include, *inter alia*, amendments to management's evaluation of disclosure controls and procedures and its assessment of internal control over financial reporting to state that such controls were not effective as of June 30, 2015, disclosure of the material weaknesses at June 30, 2015, and discussions regarding the Company's remediation plan.

98. The amendments reflected in the September 2015 10-Q Amendment include, *inter alia*, amendments to management's evaluation of disclosure controls and procedures and its assessment of internal control over financial reporting to state that such controls were not effective as of September 30, 2015, disclosure of the material weaknesses at September 30, 2015, and discussions regarding the Company's remediation plan.

99. The amendments reflected in the December 2015 Form 10-Q Amendment include, *inter alia*, amendments to KPMG's interim review of the financial statements; as well as management's evaluation of disclosure controls and procedures and its assessment of internal control over financial reporting to state that such controls were not effective as

of December 31, 2015, disclosure of the material weaknesses at December 31, 2015, and discussions regarding the Company's remediation plan.

100. Management's Report on Internal Control over Financial Reporting set forth in the 2016 Form 10-K, 2015 Form 10-K Amendment, September 2015 Form 10-Q Amendment, and December 2015 Form 10-Q Amendment discusses the ineffective control environment, risk assessment process, information and communication process, and monitoring activities. The reports state in relevant part:

> The Company failed to establish a tone at the top that demonstrated its commitment to integrity and ethical values. Mr. Shortall created instances where certain personnel participated in override of the Company's policies and procedures and internal controls without exercising the appropriate professional skepticism and failed to communicate the override of controls to others.
>
> The Company did not have an effective annual process in place to ensure that all employees, including management, confirmed their compliance with the Company's Business Conduct Policy and that deviations from the expected standards of conduct were identified and remedied in a timely manner.
>
> The Company did not have a sufficient number of trained resources with assigned responsibility and accountability for financial reporting processes and the design, documentation and effective operation of internal controls to effectively adopt the COSO 2013 Framework.
>
> The Company did not have an effective, documented and continuous risk assessment process to identify and analyze risks of financial misstatement due to error and/or fraud, including management override of controls, and determine an appropriate action to manage the financial reporting risks.
>
> The Company did not have effective information and communication and monitoring controls to ensure the timely

> identification and communication of related party transactions to financial reporting personnel, management, and the Board, to enable appropriate financial reporting and disclosure of such transactions.

101. As a result of the inappropriate tone at the top and these deficiencies, the following process level control deficiencies were identified in the reports:

> Ineffective operation of certain process level controls due to management override of controls resulting from the dominant influence of the former CEO, including ineffective process-level controls over the accounting for related party transactions and the evaluation of transactions with senior executives and a former Board member that represented loans and advances. In addition, the Company did not involve those employees with the appropriate knowledge and expertise to evaluate the business purpose of the transactions and compliance with laws and regulations.
>
> Ineffective design and implementation and documentation of management review controls, specifically, the management review controls did not adequately address or document management's expectations, criteria for investigation, the level of precision used in the performance of the review control, and how outliers were identified, investigated and resolved.
>
> Ineffective general information technology controls (GITCs) for the significant IT platforms due to inadequate IT resources. Specifically, the Company did not have effectively designed and documented program change controls and effective user access controls over IT operating systems, databases and IT applications. Accordingly, process level automated controls and compensating manual controls that were dependent upon the information derived from the IT systems were determined to be ineffective.

102. On November 14, 2016, the Company filed its Quarterly Report on Form 10-Q for the first quarter of fiscal 2017. The report stated that with respect to certain of its long lived-assets concerning it non-wearable injector products, the Company incurred a

$26.6 million non-cash asset impairment charge primarily related to machinery and equipment and construction in process in the third quarter of fiscal 2016.

DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS

103. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress injuries suffered and to be suffered as a direct and proximate result of the breaches of fiduciary duties and gross mismanagement by Defendants.

104. Plaintiff will adequately and fairly represent the interests of the Company and its shareholders in enforcing and prosecuting its rights and has retained counsel competent and experienced in derivative litigation.

105. Plaintiff is a current owner of UniLife stock and has continuously been an owner of UniLife stock during all times relevant to Defendants' illegal and wrongful course of conduct alleged herein. Plaintiff understands his obligation to hold stock throughout the duration of this action and are prepared to do so.

106. During wrongful course of conduct at the Company, the Board consisted of the Director Defendants. Because of the facts set forth throughout this Complaint, demand on the Board to institute this action is not necessary because such a demand would have been a futile and useless act.

107. The UniLife Board is currently comprised of eight (8) members – Defendants Wold, Ryan, Carter, Crane, DeSisto, Hamill, Kamarck, and Lund. Thus, Plaintiff is required to show that a majority of the Demand Defendants, *i.e.*, four (4), cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action.

108. Defendants face a substantial likelihood of liability in this action because they caused the Company to issue false and misleading statements concerning its future prospects. Because of their advisory, executive, managerial, and directorial positions with the Company, each of the Defendants had knowledge of material non-public information regarding the Company and was directly involved in the operations of the Company at the highest levels.

109. Defendants either knew or should have known of the false and misleading statements that were issued on the Company's behalf and took no steps in a good faith effort to prevent or remedy that situation.

110. Defendants (or at the very least a majority of them) cannot exercise independent objective judgment about whether to bring this action or whether to vigorously prosecute this action. For the reasons that follow, and for reasons detailed elsewhere in this complaint, Plaintiff has not made (and should be excused from making) a pre-filing demand on the Board to initiate this action because making a demand would be a futile and useless act.

111. Defendants approved and/or permitted the wrongs alleged herein to have occurred and participated in efforts to conceal or disguise those wrongs from the Company's stockholders or recklessly and/or with gross negligence disregarded the wrongs complained of herein, and are therefore not disinterested parties.

112. Defendants authorized and/or permitted the false statements to be disseminated directly to the public and made available and distributed to shareholders, authorized and/or permitted the issuance of various false and misleading statements, and

are principal beneficiaries of the wrongdoing alleged herein, and thus, could not fairly and fully prosecute such a suit even if they instituted it.

113. Because of their participation in the gross dereliction of fiduciary duties, and breaches of the duties of due care, good faith, and loyalty, Defendants are unable to comply with their fiduciary duties and prosecute this action. Each of them is in a position of irreconcilable conflict of interest in terms of the prosecution of this action and defending themselves in the securities fraud class action lawsuit brought under the Securities Exchange Act of 1934.

114. Additionally, each of the Defendants received payments, benefits, stock options, and other emoluments by virtue of their membership on the Board and their control of the Company.

THE DIRECTOR DEFENDANTS ARE NOT INDEPENDENT OR DISINTERESTED

Defendant Ryan

115. According to the Company's most recent Proxy, Defendant Ryan is not an independent director. *See* DEF14A filed October 28, 2016 at 9.

116. Further, Defendant Ryan is not disinterested or independent, and therefore, is incapable of considering demand because Ryan (as Company's President and CEO and as a Company director since July 2016) is an employee of the Company who derives substantially all of his income from his employment with UniLife, making him not independent. As such, Ryan cannot independently consider any demand to sue himself for

breaching his fiduciary duties to UniLife, because that would expose him to liability and threaten his livelihood.

117. Accordingly, Ryan lacks independence from Defendants Wold, Crane, and Lund (*see* Company's website at http://ir.unilife.com/committees.cfm)[1] who are not disinterested and who exerted influence over Ryan's compensation by virtue of their positions as members of the Compensation Committee.

118. This lack of independence and financial benefits received by Ryan renders him incapable of impartially considering a demand to commence and vigorously prosecute this action.

Defendant Carter

119. According to the Company's most recent Proxy, Defendant Carter is not an independent director. *See* DEF14A filed October 28, 2016 at 9.

120. Further, Defendant Carter is not disinterested or independent, and therefore, is incapable of considering demand because Carter (as a director performing certain administrative and consulting services in Australia, including serving as the Company's ASX liaison) is an employee of the Company who derives income from his employment with UniLife, making him not independent. As such, Carter cannot independently consider any demand to sue himself for breaching his fiduciary duties to UniLife, because that would expose him to liability and threaten his livelihood.

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[1] However, the Company's Proxy Statement, dated October 28, 2016, states that John Lund (Chair), William Galle, and Harry A. Hamill comprise the Compensation Committee.

121. Accordingly, Carter lacks independence from Defendants Wold, Crane, and Lund who are not disinterested and who exerted influence over Ryan's compensation by virtue of their positions as members of the Compensation Committee.

122. This lack of independence and financial benefits received by Ryan renders him incapable of impartially considering a demand to commence and vigorously prosecute this action.

Defendant Lund

123. During the Relevant Period, Defendant Lund, served as a member of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the members of the Audit Committee are responsible for (among other things) "review[ing] with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls." *See* Audit Committee Charter at http://files.shareholder.com/downloads/ABEA474G59/3631813063x0x346971/86FBFD86-4D62-488C-AFC2-B85FF416D856/UniAuditCommCharter.pdf. Defendant Lund breached his fiduciary duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed or permitted false and misleading statements to be disseminated in the Company's SEC filings and other disclosures failed to correct the false and misleading statements or the Company procedures that allowed them to be made and

otherwise failed to ensure that adequate internal controls were in place. Defendant Lund has also failed to bring an action on behalf of the Company against Bosnjak and Shortall for their fraudulent misconduct. Therefore, Defendant Lund faces a substantial likelihood of liability for his breach of fiduciary duties and any demand upon him is futile.

Defendant Hamill

124. During part of Relevant Period, Defendant Hamill served as the Chairman of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the members of the Audit Committee are responsible for (among other things) "review[ing] with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls." *See* Audit Committee Charter. Defendant Hamill breached his fiduciary duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed or permitted false and misleading statements to be disseminated in the Company's SEC filings and other disclosures failed to correct the false and misleading statements or the Company procedures that allowed them to be made and otherwise failed to ensure that adequate internal controls were in place. Defendant Hamill has also failed to bring an action on behalf of the Company against Bosnjak and Shortall for their fraudulent misconduct. Therefore, Defendant Hamill faces a substantial likelihood of liability for his breach of fiduciary duties and any demand upon him is futile.

Defendant Wold

125. During part of Relevant Period, Defendant Wold served as a member of the Audit Committee. Pursuant to the Company's Audit Committee Charter, the members of the Audit Committee are responsible for (among other things) "review[ing] with the chief executive officer and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified to the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls." *See* Audit Committee Charter. Defendant Wold breached her fiduciary duties of due care, loyalty, and good faith, because the Audit Committee, *inter alia*, allowed or permitted false and misleading statements to be disseminated in the Company's SEC filings and other disclosures failed to correct the false and misleading statements or the Company procedures that allowed them to be made and otherwise failed to ensure that adequate internal controls were in place. Defendant Wold has failed to bring an action on behalf of the Company against Bosnjak and Shortall for their fraudulent misconduct. Therefore, Defendant Wold faces a substantial likelihood of liability for her breach of fiduciary duties and any demand upon her is futile.

Defendant DeSisto

126. During part of Relevant Period, Defendant DeSisto served as a member of the Audit Committee. Defendant DeSisto has failed to bring an action on behalf of the Company against Bosnjak and Shortall for their fraudulent misconduct. Therefore,

Defendant DeSisto faces a substantial likelihood of liability for his breach of fiduciary duties and any demand upon him is futile.

FIRST CAUSE OF ACTION

Against Defendants for Breach of Fiduciary Duties

127. Plaintiff incorporates by reference and re-alleges each and every allegation contained above, as though fully set forth herein.

128. Defendants owe the Company fiduciary obligations. By reason of their fiduciary relationships, Defendants owed and owe the Company the highest obligation of good faith, fair dealing, loyalty, and due care.

129. Defendants violated and breached their fiduciary duties of care, loyalty, reasonable inquiry, and good faith.

130. Defendants engaged in a sustained and systematic failure to properly exercise their fiduciary duties. In breach of their fiduciary duties owed to UniLife, Defendants caused and facilitated the Company to issue materially false and misleading statements concerning the Company's business, financial performance and condition and the adequacy of its internal controls, resulting in the commencement of the Securities Class Action, and failed to properly oversee UniLife's business, rendering them personally liable to the Company for breaching their fiduciary duties.

131. Defendants had actual or constructive knowledge that Defendants caused and facilitated the Company to issue materially false and misleading statements concerning the Company's business, financial performance and condition and the adequacy of its internal controls, resulting in the commencement of the Securities Class Action, and effect of

artificially inflating the price of UniLife's common stock. Defendants had actual knowledge of the above misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth, in that they failed to ascertain and to disclose such facts, even though such facts were available to them.

132. As a direct and proximate result of Defendants' failure to perform their fiduciary obligations, the Company has sustained significant damages. As a result of the misconduct alleged herein, Defendants are liable to the Company.

133. As a direct and proximate result of Defendants' breach of their fiduciary duties, the Company has suffered damage, not only monetarily, but also to its corporate image and goodwill. Such damage includes, among other things, costs associated with defending securities lawsuits, severe damage to the share price of the Company, resulting in an increased cost of capital, the waste of corporate assets, and reputational harm.

SECOND CAUSE OF ACTION

Against Defendants for Gross Mismanagement

134. Plaintiff incorporates by reference and re-alleges each allegation contained above, as though fully set forth herein.

135. By their actions alleged herein, Defendants, either directly or through aiding and abetting, abandoned and abdicated their responsibilities and fiduciary duties with regard to prudently managing the assets and business of the Company in a manner consistent with the operations of a publicly held corporation.

136. As a direct and proximate result of Defendants' gross mismanagement and breaches of duty alleged herein, the Company has sustained significant damages in excess of millions of dollars.

137. Because of the misconduct and breaches of duty alleged herein, Defendants are liable to the Company.

THIRD CAUSE OF ACTION

Against Defendants for Unjust Enrichment

138. Plaintiff incorporates by reference and re-alleges each and every allegation set forth above, as though fully set forth herein

139. By their wrongful acts and the omissions of material fact that they caused to be made, Defendants were unjustly enriched at the expense of, and to the detriment of, the Company

140. During the Relevant Period, Defendants either received bonuses, stock options, or similar compensation from the Company that was tied to the financial performance or artificially inflated valuation of the Company or received compensation that was unjust in light of Defendants' bad faith conduct.

141. Plaintiff, as a shareholder and a representative of the Company, seeks restitution from Defendants and seeks an order from this Court disgorging all profits, benefits, and other compensation, including any performance-based or valuation-based compensation, obtained by Defendants due to their wrongful conduct and breach of their fiduciary duties.

REQUEST FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Determining that this action is a proper derivative action maintainable under law, and that demand is excused;

B. Awarding, against all Defendants and in favor of the Company, the damages sustained by the Company as a result of Defendants' breaches of their fiduciary duties;

C. Directing the Company to take all necessary actions to reform and improve its corporate governance and internal procedures, to comply with the Company's existing governance obligations and all applicable laws and to protect the Company and its investors from a recurrence of the damaging events described herein;

D. Awarding to Plaintiff the costs and disbursements of the action, including reasonable attorneys' fees, accountants' and experts' fees, costs, and expenses; and

E. Granting such other and further relief as the Court deems just and proper.

JURY DEMAND

Plaintiff demands a trial by jury.

Dated: January 11, 2017

GAINEY McKENNA & EGLESTON

By: */s/ Thomas J. McKenna*
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Counsel for Plaintiff

VERIFICATION

I, JULIAN DESTEPHANO, declare that I have reviewed the Verified Shareholder Derivative Complaint ("Complaint") prepared on behalf of UniLife Corporation and authorize its filing. I have reviewed the allegations made in the Complaint, and to those allegations of which I have personal knowledge, I believe those allegations to be true. As to those allegations of which I do not have personal knowledge, I rely on my counsel and their investigation and for that reason believe them to be true. I further declare that I am a current holder, and have been a holder, of UniLife Corporation common stock at all relevant times.

1/4/17
Date

JULIAN DESTEPHANO